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United Arab Emirates

Poultry and Products

Annual Poultry Meat Report

2005

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Report Highlights:

In 2005 poultry production should remain static given persistent problems within the domestic industry and strong consumer preference for imported products. Market suppliers continue to shift to Western Hemisphere sources. Production in 2006 is forecast to expand 5-10 percent depending on the successful return to operations of a major poultry producer. In 2004 the global avian influenza issue and softer demand in traditional re-export markets negatively affected trade. Poultry sourced from the U.S. showed a strong rebound in 2005 after the market closure in 2004

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Executive Summary

Six large and four medium size farms dominate the UAE commercial poultry production, limited to chickens. Total annual production remains static at about 35,000 MT. Though one major producer closed due to production problems, expansion in output by other producers offset declines attributed to that one firm. In 2006, total production is projected to increase 5-10 percent on expectation the reorganization of that producer would translate to that firm becoming a market force once again.

Domestic production satisfies only 20 percent of total UAE poultry demand. In CY 2004, total UAE poultry import volume reached 146,000 MT, representing a decline from CY 2003 as soft consumer demand due to the Asian and North American avian influenza problems and a softer re-export market led to diminished UAE trade. In CY 2005 fading concern over avian influenza and stronger re-export market demand, primarily Iraq, is driving a surge in imports by the UAE.

CY 2004 trade data now reflects final official statistics.

Production

UAE poultry production remains unchanged since 2004. Keen competition and production challenges posed by higher input costs for raw materials, particularly feed and veterinary supplies, forced one large producer to close operations. However, the combined higher production by a number of operations offset the reduced output for that one firm.

Poultry producers do not use growth hormones in their production. In fact, the UAE outlawed the use of growth hormones in the production of poultry. The sector geared to breeding stock is the most ardent user of newer technologies. As production of chicks is not sufficient to meet local demand, the UAE must import one-day old baby chicks. The UAE does not practice genetic enhancement of poultry stock and follows CODEX requirements for labeling of such products.

Although feed is produced locally, ingredients and formulas are imported. Animal protein is not permitted in poultry feed. Due to higher transportation costs, feed and veterinary supply input costs are increasing. Producers receive no direct government support. Major producers forecast in 2006 production costs would increase by 10 percent. Recently several local producers introduced the low cholesterol egg that is produced thru feeding layers special feed rich in Omega 3.

Poultry production is on a 16-week cycle. This past year six large-sized farms (65 percent) and four medium-sized operations (20 percent) accounted for the bulk of the country's production. A large number of small farms spread across the UAE, not concentrated in any specific area, account for the balance of domestic production. Bird weight gain rates vary between 70-100 gm/day, depending on the time of the year. Weight gains are always higher during the cooler winter months. Live chickens are slaughtered at a 1.4 kg weight that dresses out at 900 gms. Heat and disease are major constraints on production, but producers report diseases are basically under control. The feed conversion rate is reported at 1.7/1.8 kg to 1 kg.

Major poultry operations are fully integrated. Production is slaughtered at on-farm facilities. Marketing, sales and distribution are conducted in-house. Some operations are even involved in direct retail. Domestically produced poultry is generally marketed fresh/chilled. During summer months, when sales typically are softer due to unfavorable weather, major operations will freeze some production. In effort to expand market share some producers are producing limited amounts of chilled boneless or bone-in parts. One major operation is

producing chicken franks and burgers for the local market. Small farms usually sell to the live market at live weights in excess of 2 kg.

Domestic and imported poultry is retailed side-by-side in major retail outlets, such as hypermarkets, superstores and supermarkets. Local production tends to be marketed fresh/chilled because of high production costs and no direct government support. Because of its relative high price local production is not sold in small retail outlets or convenience stores.

Consumption

Poultry holds a mixed reputation among consumers. Its attributes include inexpensive, easy to prepare, usable in a broad array of recipes and cooking styles in this culturally diverse region, healthier than red meats and easier to retail unlike red meats that require butchery arrangements which only specialized butcheries and larger supermarkets have in place.

Consumption of poultry is on the rise due, in part, to the following factors:

- Local population increase,
- Health and food safety concerns with red meats due to international problems with BSE, Foot and Mouth disease, dioxin, cholesterol and related cardiac problems,
- Lower cost as compared to red meats and fish,
- Expansion of the HRI sector,
- Increase in the transit population, a population segment that is expected to continue on its current expansion path for the next several years.

The UAE does not have a market for paws nor has it found demand sufficient to warrant export of this part of the bird. Usually paws are rendered, dried and used as manure.

Layers/spent hens are further processed into chicken franks and burgers. The meat itself is too tough for the discernable UAE consumer who can afford fresh poultry. Layers/spent hens sell in the live market at very competitive prices.

Little real competition exists between domestic and imported poultry because of the price difference. Imported whole chicken retails at about half the cost of domestic chicken that markets at about US\$3/kg. Among imported chickens, Brazilian is more widely accepted because of market visibility, good quality and attractive price.

Households mainly consume domestically produced poultry in fresh/chilled form. To a lesser extent local production is consumed at some HRI sites, such as universities, hospitals and the military, particularly in Abu Dhabi area. For religious reasons, some consumers prefer to pay the premium price for local chicken. They perceive such product to be guaranteed as fresh and to be prepared in accordance to Islamic ritual, i.e., hand slaughtered.

Imported poultry, whole and parts, is less expensive than domestic poultry. Brazilian and Danish chickens are popular among expat households for perceived quality and low water content. French poultry, gradually phasing out of the market because of its high water content, remains in demand by the institutional sector. U.S. leg quarters are an ideal alternative to U.S. whole chicken because of its lower bulk price. However, being large in size causes some problems for end users, such as cafeterias and catering companies. Attempts to market U.S. leg quarters pre-packed for retail distribution proved unsuccessful due to its high retail price tag. Leg quarters, usually imported in 20 lb. packs, are suited for the HRI sector. The HRI sector, however, is demanding packaging of leg quarters and other poultry products on trays for storage and handling reasons. It is shying away from such products packaged in bulk bags though those products may be less expensive.

Boneless chicken is sourced primarily from Brazil, which took over the market after both China and Thailand were banned for health/safety concerns. Boneless chicken is consumed mainly in Arabic and Lebanese-style restaurants and cafeterias. Boneless breasts are marketed in retail outlets. Consumption of whole turkey is seasonal, mainly by Westerners during the November/December holiday season, while duck is consumed primarily in Chinese restaurants and in some Arabic restaurants.

Traditionally, the HRI sector sought whole chickens. Leg quarters have gained in popularity with this sector through competitive pricing and by being a leaner product than breast meat, a relatively expensive product.

Price for chicken on the international market is fluid. For that reason importers prefer to maintain a limited stock supported by a regular weekly or monthly shipment schedule. Such management practice reduces their exposure to fluctuating prices, reduces their cost for cold storage and enables them to market a fresher product. As for locally production, producers prefer to dispose of stock on a daily basis, considering the sensitivity of the product.

Trade/Marketing

The marketing challenge posed to domestic producers in 2005 center on their ability to offset rising production costs (up 10 percent this past year) against competition from imported product that retailers are using to lever pressure on wholesale prices offered by local producers. Driving the challenge is 8-10 metric tons of fresh/chilled poultry entering the market daily from a neighboring country. Locally produced poultry is wholesaled at \$2.45/kg, and retailed at \$3.00/kg. Imported poultry from the neighboring country is wholesaled at \$2.17/kg and retailed at \$3.00/kg.

Indicative retail prices for some imported/locally produced whole bird/parts follow:

Whole bird:	Brazilian: \$2.04-2.51/kg; // Danish: \$1.97/kg; // French: \$1.63/kg; // Saudi: \$2.35/kg
Chicken breasts:	Brazilian: \$4.61/2 lb
Drumsticks:	Brazilian: \$1.61/2 lb

In 2004 UAE poultry imports declined in volume but not in value. Demand grew for higher value parts as consumers viewed such products as safer in the face of the avian influenza threat. Overall volume declined, in part, due to shrinking re-export markets. Though UAE trading houses still organized the transaction, traditional re-export markets in the former Soviet States and Iran received more poultry directly from the producing country. Product demand from Iraq fluctuated wildly. Availability of funds, security conditions and competition from Kuwait, currently the major supplier to the Iraqi market, all drive service interest in that market.

In 2004 Brazil dominated the frozen chicken market. With major multinational firms from the U.S. and France invested heavily in Brazil's poultry sector, that country is positioned well for further market expansion in coming years. Avian Influenza and economic factors, such as freight cost, currency rates vis-à-vis the US Dollar and smaller export restitution amounts offered by the EU, helped spur the shift from traditional suppliers in Europe to the Western Hemisphere. Danish and French market shares dropped to 7 and 6 percent respectively. Health concerns over the Asian avian influenza situation and economic factors (i.e., rising world prices) should continue to create opportunities in this market for high quality U.S. poultry parts.

Between October 2004 and the present, the C&F price on Brazilian grillers increased from \$900/MT to \$1,430/MT. The current C&F price on Danish chicken is \$1,400/MT. Between November 2004 and the present, the C&F price for U.S. chicken leg quarters rose from \$760/MT to \$1,200/MT. The current C&F price for Brazilian boneless whole chicken is \$2,150/MT while that for boneless breast is \$2,050/MT. Above prices are expected to remain firm through the fall.

In 2004 poultry parts accounted for 37 percent of total poultry imports with U.S. market share standing at 17 percent. Demand for parts is strong as end users seek value for their purchase dollar.

Labeling requirements for poultry products are as follows (unchanged):

- a) Date of production and expiry;
- b) Product and Brand name;
- c) Net weight;
- d) Country of origin; and
- e) The producer's name and address.

(Note: UAE shelf life regulations require the product to arrive within 4 months of date of production. The shelf life for frozen poultry is one year.)

Poultry must be slaughtered according to Islamic requirements. A Halal slaughter certificate issued by an approved U.S. Islamic Center must accompany the shipment. The CODEX standards for novel foods will guide the UAE labeling requirements for biotech-enhanced products.

Health and sanitary regulations are strictly enforced regardless of country of origin, to ensure human and animal health safety. Periodically local health officials will travel to supplier countries to inspect production and processing facilities. If the supplier country's processing facility is found unsanitary, products from that facility face immediate import suspension. Established brands are checked randomly at port of entry for Salmonella or other pathogenic contamination. If a tested sample exceeds permissible levels of the detected bacterium, a second sample, taken at the time of the first one, is tested. If that sample, too, shows a level of bacterium in excess of the permissible level, the shipment will be condemned without further recourse by the importer or supplier. Locally produced poultry is subject to the same monitoring regime as that for imported products by public health officials.

The most popular advertising tool is the print media followed by television. Year-round advertising campaigns are the norm for this market. In-store promotions are common, particularly for new-to-market products. Suppliers and local producers are looking constantly to identify new markets and opportunities to expand sales. Suppliers usually support local agents with promotional resources.

Distribution channels for imported and domestically produced poultry are very similar; importer (domestic producer) → to wholesaler → to distributor → to retailer. Several large domestic producers distribute product directly to retailers.

Both importers and domestic producers of poultry are well equipped with excellent cold storage warehouse facilities and refrigerated trucks for distribution. Both sectors are staffed with well-trained sales representatives. Major retailers are constructing state-of-the-art super- and hypermarkets and are focusing on customer service to ensure that their products are ideally presented and marketed to consumers.

Economic Factors

The UAE, a major oil producer, enjoys one of the regions' highest per capita income levels. Current high world oil prices favor the UAE economy. The UAE currency, the dirhams, is fixed to the U.S. dollar, exchanging at the rate of 3.673 dirhams to 1.00 U.S. dollar. The UAE Government practices a liberal trade policy that includes unrestricted currency movement and no trade involvement.

PSD Table

Country United Arab Emirates							UOM
Commodity	Poultry, Meat, Broiler	(1000 MT)(MIL HEAD)					
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	35	35	35	35	0	37	(1000 MT)
Whole, Imports	120	92	120	100	0	105	(1000 MT)
Parts, Imports	60	54	62	55	0	55	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	180	146	182	155	0	160	(1000 MT)
TOTAL SUPPLY	215	181	217	190	0	197	(1000 MT)
Whole, Exports	20	5	20	10	0	10	(1000 MT)
Parts, Exports	20	10	22	10	0	10	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	40	15	42	20	0	20	(1000 MT)
Human Consumption	175	166	175	170	0	177	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	175	166	175	170	0	177	(1000 MT)
TOTAL Use	215	181	217	190	0	197	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	215	181	217	190	0	197	(1000 MT)
Calendar Yr. Imp. from U.S.	15	10	20	15	0	18	(1000 MT)
	-	-	-	-	-	-	
	-	-	-	-	-	-	

Export Trade Matrix

Country United Arab
Emirates

Commodity Poultry, Meat,
Broiler

Time Period Units:
Exports for: **2005**
U.S. U.S.
Others Others

<input type="text" value="IRAQ"/>	<input type="text" value="10000"/>		

Total for Others 10000 0
Others not Listed
Grand Total 15000 0

Import

Trade Matrix

Country United Arab Emirates**Commodity** Poultry, Meat, Broiler

Time Period	JAN-DEC	Units:	MT
Imports for:	2004		2005
U.S.	9227	U.S.	
Others		Others	
BRAZIL	105838		
DENMARK	9898		
FRANCE	9127		
S. ARABIA	3179		
Total for Others	128042		0
Others not Listed	9110		
Grand Total	146379		0